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SUBJECT: RUSSIA LIFTS BAN ON POLISH MEAT

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¶11. (SBU) Summary: Polish and Russian Ministers of Agriculture have announced that next week the two-year old Russian ban on imports of fresh meat from Poland will be lifted, removing a major trade irritant. Thanks to strong demand, trade levels should quickly rebound. The Russian embargo on poultry and selected plant products remains in place. Resolving the meat ban is a high profile win for the Tusk government's strategy of seeking a renewed constructive dialogue with Russia. End summary.

Meat Ban To Be Lifted

¶12. (U) On December 12 the Polish Minister of Agriculture, Marek Sawicki, and the Russian Minister of Agriculture, Aleksey Gordeyev, announced in Moscow that as of next week the Russian ban on Polish beef and pork which began in November 2005 will be lifted. Next week, Polish and Russian Veterinary authorities will sign an agreement in Kaliningrad lifting the ban with immediate effect.

¶13. (U) Russian authorities have just concluded a routine inspection of facilities and agreed that additional inspections are unnecessary. Because of the strong demand from Russia, sales should recover quickly to pre-embargo levels. Post estimates that Poland will export USD50 million in chilled and frozen pork and beef to Russia in 2008, which would make Russia the largest export market for unprocessed Polish red meat.

Effects of the Ban On Trade With Russia

¶14. (U) The ban imposed by Russia has been in place for over two years and has adversely affected Polish exports of pork and beef. In late 2005 the ban had only a limited impact on the Polish pork industry because it was a period of pork shortages and strong export demand. However, the situation changed in late 2006 and 2007 when pork supplies increased and export markets shrunk due to a pork surplus in the European Union. The ban had a strong impact on overall exports of Polish agricultural products to Russia in 2006. However, its impact diminished in 2007 because of growing Polish dairy exports to Russia.

¶15. (U) Although Russia was a major market for fresh and

frozen unprocessed pork and beef before the ban, it is a less important market for these products when including all processed meat exports. In 2004 the Russian share of Polish meat exports of both processed and unprocessed pork and beef were only 11 and 2 percent, respectively. However, exports to Russia were important for the Polish meat industry because the type of cuts that were most popular in Russia, such as chilled pork halves, were not popular in other markets.

Limited Effect on U.S. Markets

¶ 16. (U) The current low farm-gate prices and oversupply of pork in Poland, in addition to the export subsidies recently announced by the European Union, will bolster Polish pork exports in 2008. In addition, traders speculate that the opening of the Russian market may lead to the reopening of the market in Belarus to Polish meat exports, a market similar to Russia in size and type. The end of the Russian embargo will not limit Polish meat exports to other EU Member States and the United States, because these consumers demand different types of cuts and meat products.

Other Embargoes Still In Place

¶ 17. (U) Despite the end of the red meat ban, the embargo on both poultry meat and select plant products to Russia (which also began in November 2005) is still in place. The next meeting between the Polish and Russian Ministers of Agriculture is expected to occur in January 2008 in Berlin during the "Green Week" trade fair. During this meeting a new agreement opening the Russian market to Polish plant products may be signed.

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Comment

¶ 18. (SBU) The Russian meat ban has been a charged bilateral irritant for over two years, and emblematic of the chilly relationship between the former Kaczynski government and Moscow. The lifting of the ban is a high profile political win for new PM Donald Tusk, and signals an improvement in relations between Poland and Russia. While not as reflexively anti-Russian as its predecessor, this government remains essentially suspicious of Moscow, although happy to provide Russia something more to chew on.
ASHE